



Australian
Competition &
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Commission

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NEWS RELEASE

ACCC NOT TO OPPOSE PROPOSED MERGER OF VODAFONE AND HUTCHISON

The Australian Competition and Consumer Commission will not oppose the proposed merger of Vodafone and Hutchison's Australian mobile operations, after concluding that it is unlikely to substantially lessen competition in the relevant markets.

The ACCC undertook an extensive investigation over 3 months, which included scrutiny of a substantial number of internal company documents from the merger parties and their competitors.

The ACCC had regard to the changing nature of the mobile telecommunications industry and the increasing need for mobile network operators to have sufficient scale to be able to continue to make significant investments in their network capabilities.

In reaching its decision the ACCC considered evidence which showed that absent the merger, the parties are unlikely to sustain the significant investment in their mobile networks to provide competitive high speed data services, such as mobile broadband.

"Ongoing investments are needed to meet the increased customer demand for bandwidth-hungry data services, including mobile broadband. In this respect, the ACCC considers that mobile voice and data services will continue to converge in the future," ACCC Chairman, Mr Graeme Samuel said.

The ACCC is required to balance its concerns against the likely competitive position if the proposed merger were not to proceed.

A key consideration in the ACCC's investigation was whether increased concentration in the mobile sector would result in reduced pricing pressure for retail mobile telecommunications services. It considered evidence which suggested that, individually, without this merger, the parties would not sustain vigorous price competition in the longer term. Accordingly, the ACCC concluded that the proposed merger would not result in a substantial lessening of competition in the retail mobile telecommunications market.

"The pricing commitment issued on 25 May 2009 by the merger parties has not had any bearing on the ACCC's decision. Behavioural measures, such as this, are generally viewed by the ACCC as an unattractive merger remedy. Such measures are not likely to be considered acceptable by the ACCC to assuage competition concerns," Mr Samuel said.

The basis upon which the ACCC has reached its decision will be outlined in a *Public Competition Assessment*, available shortly on the ACCC's website, www.accc.gov.au/publiccompetitionassessments.

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